

Message Text

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PAGE 01 CAIRO 13015 161658Z
ACTION NEA-11

INFO OCT-01 EUR-12 EA-12 ISO-00 CIAE-00 DODE-00 PM-05
H-02 INR-10 L-03 NSAE-00 NSC-05 PA-02 SP-02
SS-15 ICA-20 EB-08 TRSE-00 OMB-01 AGRE-00 AID-05
COME-00 STR-07 /121 W
-----114344 180629Z /11

R 161653Z MAY 78
FM AMEMBASSY CAIRO
TO SECSTATE WASHDC 9202
INFO AMCONSUL ALEXANDRIA
AMEMBASSY CANBERRA
AMEMBASSY PARIS

UNCLAS CAIRO 13015

E.O. 11652: N/A
TAGS: EAGR, ETRD, EG, FR
SUBJ: PROPOSED FRENCH WHEAT SALE TO GOE

1. ACCORDING TO AL GUMHURIYYA, TALKS BETWEEN REPRESENTA-
TIVES OF FRENCH MINISTRY OF ECONOMY AND THE EGYPTIAN
GENERAL AUTHORITY FOR SUPPLY COMMODITIES BEGAN IN CAIRO
MAY 15. DISCUSSIONS, ACCORDING TO PRESS, WILL FOCUS ON
PROPOSED SALE OF FF 800 MILLION WORTH (APPROX \$167 MIL-
LION) OF FRENCH WHEAT TO GOE. PAPER NOTED THAT PROPOSED
WHEAT DEAL REPRESENTS AN INCREASE OF FF 250 MILLION
(APPROX \$52 MILLION) OVER 1977 SALES.

2. FRENCH EMBASSY CONFIRMED TO US MAY 16 THAT GOE AND
GOF ARE INDEED NEGOTIATING ON NEW WHEAT DEAL. FRENCH
EMBOFF DESCRIBED 800 MILLION FRANC FIGURE AS "IN THE BALL
PARK", BUT SAID FINAL AGREEMENT COULD SEE SOME DECREASE.
TERMS OF AGREEMENT, ACCORDING OUR CONTACT, WILL BE THREE
YEARS AT ONE PER CENT ABOVE LIBOR WITH FRENCH GOVERNMENT
GUARANTEEING COMMERCIAL CREDITS IN ARRANSEMENT SIMILAR TO
OUR CCC. HE PROMISED CALL US WHEN AGREEMENT FINALIZED
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(WEDNESDAY OR THURSDAY).

3. COMMENT: TAKING INTO ACCOUNT DIFFERENCES IN FISCAL
AND CALENDAR YEARS, REPORTED PURCHASE OF FRENCH WHEAT,
WHICH WE CALCULATE TO BE ABOUT 1.3 MILLION TONS AT
CURRENT PRICES, WOULD PUT EGYPT OVER THE TOP IN TERMS
OF MEETING ITS 1978 REQUIREMENT OF 4.6 MILLION METRIC TONS

OF WHEAT AND WHEAT FLOUR (GRAIN EQUIVALENT BASIS).
DEAL, THEREFORE, REPRESENTS IMPORTANT ECONOMIC DEVELOPMENT
WHICH WILL HELP STABLIZE BALANCE OF PAYMENTS SITUATION
DURING LATTER HALF OF THIS YEAR.

4. POSSIBLY RELATED TO PUBLICITY BEING GIVEN FRENCH
DEAL, AUSTRALIAN EMBASSY COMMERCIAL OFFICER
CLAIMS THEY MAY HAVE TO DELAY SHIPMENT OF SOME OF THEIR
ONE MILLION TONS DUE TO LOW HARVEST LEVELS. THEY ARE
ALSO EXPERIENCING SOME PROBLEMS WITH ARREARAGES IN
COMMERCIAL CREDIT PAYMENTS. BASED ON OUR PAST EXPERIENCE,
AUSTRALIANS TEND TO HAVE SHORT FUSE WHEN IT COMES TO
LATE PAYMENTS; HENCE THEY MAY BE UNWILLING TAKE EXTRA-
ORDINARY MEASURES TO MAKE UP CROP SHORTFALL AT THIS
TIME. EILTS

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Message Attributes

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